

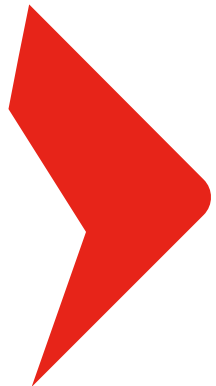


A Prudential plc company 

EASTSPRING INVESTMENTS TARGET INCOME FUND 10

ANNUAL REPORT

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023



Dear Valued Investor,

Greetings from Eastspring Investments Berhad!

First and foremost, we would like to take this opportunity to thank you for choosing to invest with Eastspring Investments Berhad.

We are pleased to enclose a copy of the Annual Reports of Eastspring Investments Berhad's fund(s) for the reporting period ended 31 May 2023.

You may also download these reports from our website at www.eastspring.com/my

Should you require any assistance, please do not hesitate to contact our Client Services at 03-2778 1000.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Raymond Tang Chee Kin'. The signature is fluid and cursive, with the first name 'Raymond' being the most prominent part.

Raymond Tang Chee Kin

Non-Independent, Executive Director and Chief Executive Officer

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FUND INFORMATION

Name of Fund	<p>Eastspring Investments Target* Income Fund 10 (the “Fund”)</p> <p>* The Fund aims (i.e.Target) to distribute income on an annual basis from coupon payments received from the bonds investments.</p>
Fund Category/ Type	<p>Bond (close-ended)/income</p>
Fund Objective	<p>The Fund endeavours to provide regular income** during the tenure of the Fund.</p> <p>** Income declared will be paid out by way of e-payment (i.e. telegraphic, online transfer or other forms of electronic payment) according to Unit Holders’ instructions in the account opening form.</p>
Termination Date	<p>17 June 2025</p>
Duration of the Fund	<p>Five (5) years close-ended bond fund.</p>
Performance Benchmark	<p>5-year Maybank fixed deposit rate as at Commencement Date.</p> <p>Please note that investors may obtain information on the benchmark from the Manager upon request.</p> <p>As the Fund will invest in local and foreign markets across various bonds of different ratings, the risk profile of the Fund is not the same as the risk profile of the performance benchmark.</p>
Fund Income Distribution Policy	<p>Subject to the availability of income, distribution of income, if any, will be on annual basis, after deduction of taxation and expenses.</p>

KEY PERFORMANCE DATA

FOR THE FINANCIAL YEAR/PERIOD ENDED

Category	2023	2022	Since commencement 18.6.2020 to 31.5.2021
	(%)	(%)	(%)
Unquoted fixed income securities	99.15	77.44	84.29
Derivatives	(7.27)	(0.91)	1.97
Cash and other assets	8.12	23.47	13.74
Total	100.00	100.00	100.00
Net Asset Value (NAV) (RM'000)	111,610	121,784	148,692
Units In Circulation (Units '000)	131,644	140,544	143,686
Net Asset Value Per Unit (RM)	0.8477	0.8665	1.0348
Highest Net Asset Value Per Unit (RM) [#]	0.8894	0.9318	1.0357
Lowest Net Asset Value Per Unit (RM) [#]	0.8053	0.8467	1.0000
Total Return (%)			
- Capital Growth	(2.17)	(16.26)	3.48
- Income Distribution	-	3.12	-
Total Return (%)	(2.17)	(13.65)	3.48
Gross Distribution Per Unit (RM)	-	0.0306	-
Net Distribution Per Unit (RM)	-	0.0306	-
Total Expense Ratio (TER) (%) [*]	0.52	0.51	0.49
Portfolio Turnover Ratio (PTR) (times) [^]	0.50	0.50	0.55

[#] Figure shown as ex-distribution.

^{*} There were no significant changes to the TER during the period under review.

[^] There were no significant changes to the PTR during the period under review.

KEY PERFORMANCE DATA (CONTINUED)

	1 year 1.6.2022 to 31.5.2023	Since commencement 18.6.2020 to 31.5.2023
	(%)	(%)
Average total return	(2.17)	(4.45)

Year ended	1.6.2022 to 31.5.2023	1.6.2021 to 31.5.2022	Since commencement 18.6.2020 to 31.5.2021
	(%)	(%)	(%)
Annual total return	(2.17)	(13.65)	3.48

Source: The above total return of the Fund was sourced from Lipper for Investment Management.

Bases of calculation and assumptions made in calculating returns:

$$\text{Percentage growth} = \frac{\text{NAV}_t}{\text{NAV}_0} - 1$$

NAV_t = NAV at the end of the period

NAV₀ = NAV at the beginning of the period

$$\text{Performance annualised} = (1 + \text{Percentage Growth})^{1/n} - 1$$

Adjusted for unit split and distribution paid out for the period

n = Number of years

Past performance is not necessarily indicative of future performance and unit prices and investment returns may go down, as well as up.

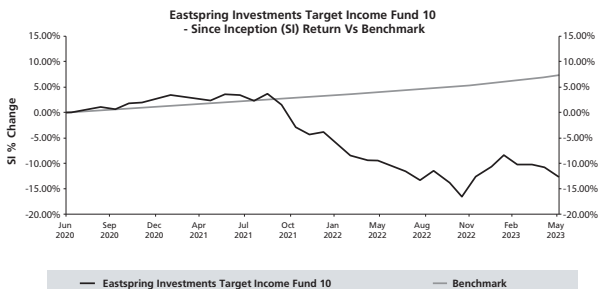
MANAGER'S REPORT

Fund Performance

Since inception, the Fund registered a return of -12.59%, underperforming the benchmark return of 7.19% by 19.78%.

During the period under review, the Fund registered a return of -2.17%, underperforming the benchmark return of 2.91% by 5.08%.

Chinese high-yield real estate credit holdings were a major performance detractor during the period under review, as the Covid lockdown in China and the country's property-sector curbs triggered a selloff in the sector. Higher short-dated risk-free rates over the period also weighed on the fund performance. The performance was partially offset by the positive returns of financial and quasi-sovereign credits. During the year, oil & gas and utility exposures also contributed positively.



The performance is calculated on NAV-to-NAV basis with gross income or dividend reinvested.

Benchmark: 5-year Maybank fixed deposit rate as at the Commencement Date.

Fund performance is sourced from Lipper for Investment Management, 31 May 2023 and the benchmark is obtainable from Eastspring Investments Berhad upon request.

Past performance of the Fund is not necessarily indicative of its future performance.

MANAGER'S REPORT (CONTINUED)

Analysis of Fund Performance

For the financial year ended 31 May 2023:

Income Return	Capital Return*	Total Return	Total Return of Benchmark
(%)	(%)	(%)	(%)
0.00	(2.17)	(2.17)	2.91

* Capital return components (NAV per unit to NAV per unit).

Distribution/ Unit Split

No distribution or unit split were declared for the financial year ended 31 May 2023.

Investment Strategy During the Period Under Review

As this is a close-ended bond fund, the Fund will be managed primarily with a semi-active management strategy. The Fund's bond investments will typically be held to maturity. At the maturity of these debt securities, their issuers will be obligated to repay the face value, provided that there is no event of default.

Nevertheless, the Fund Manager continues to monitor the Fund's investments, and may trade and rebalance its investments from time to time, for reasons such as the following:

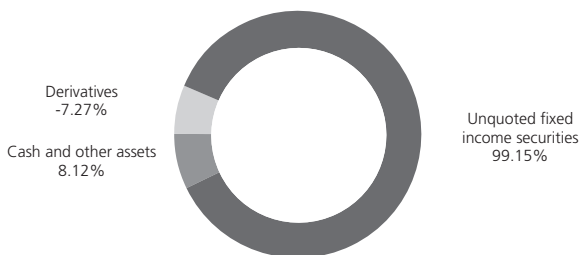
- Increased default risk or uptrend interest rate concerns;
- Hedging transactions in the event that the sale of the security at risk is not possible; and
- Reinvesting proceeds from maturing securities

MANAGER'S REPORT (CONTINUED)

Asset Allocation

Asset Allocation	31-May 2023	31-May 2022	Changes
	(%)	(%)	(%)
Unquoted fixed income securities	99.15	77.44	21.71
Derivatives	(7.27)	(0.91)	(6.36)
Cash and other assets	8.12	23.47	(15.35)

Asset Allocation as at 31 May 2023



For the period under review, the Fund's asset allocation was in fixed-income securities, derivatives, cash and other assets. The exposure to cash in the Fund was higher as at 31 May 2022 as our view of the market then was that fixed income yields were likely to rise in 2022 (and correspondingly, bond prices may fall). In addition, we had expected market volatility to be high. Starting late 2022, we have since reduced the percentage of cash and the amount of investments in fixed-income securities was increased, in view of available market opportunities and considering the strategy's objective of achieving a reasonable rate of return with steady income.

MANAGER'S REPORT (CONTINUED)

Asset Allocation (continued)

Going forward, bond prices should improve if risk sentiment recovers and as volatility in rates decline. With increasing evidence that inflation is moving steadily lower, global central banks could pause in their interest rate hiking cycle on the back of increasing uncertainty in the global financial system, an outcome that could help to support the Fund's performance at a time of economic uncertainty. We continue to view fixed income securities as an attractive asset class due to high absolute yields and better growth prospects in Asia. Market volatility will remain elevated in 2023 but this should give rise to opportunities for active management.

During the period under review, as the Fund employs hedging, the negative derivative position was due to the mark to market effect of the Fund's derivative holdings.

State of Affairs of the Fund

There have been neither significant change to the state of affairs of the Fund nor any circumstances that materially affect any interests of the unit holders during the period under review.

Cross-Trade Transaction

During the period under review, there were cross-trades executed through a dealer or a financial institution on an arm's length and fair value basis and in the best interest of the Fund. There were no cross-trades executed for the months of September 2022, November 2022, December 2022 and May 2023. The investment committee for the Fund has reviewed that such trades for the period from 1 June 2022 to 31 August 2022, and for the month of October 2022, January 2023 to March 2023 were transacted on an arm's length and fair value basis and in the best interest of the Fund. The trade for the month of April 2023 will be tabled for review at the upcoming investment committee meeting.

MARKET REVIEW

The second half of 2022 was characterized by headwinds from the war in Ukraine to the weakness in China's property sector, as well as aggressive central bank rate hiking action. However, sentiment improved in the fourth quarter as the Chinese government eased COVID-19 controls and introduced a series of measure to support the property sector.

As consumer prices climbed to multi-decade highs in 2022 amid the recovering economy and robust labour market, central banks shifted gears and embarked on a more aggressive tightening path. The US Federal Reserve began raising its policy rate in a gradual fashion beginning with a 25 basis point ("bps") hike in March 2022. In a short span of 14 months, the Federal Funds rate rose to a range of 5.00% - 5.25%, sending Treasury yields meaningfully higher and creating a significant level of inversion in the US Treasury yield curve. The upward shift in bond yields was unexpected which brought about a selloff and repricing of global rates.

With the calendar year flipping to 2023, the year started on a positive note as China's removal of its pandemic control measures in December 2022 proved to be a pivotal development for the Chinese economy. High frequency indicators pointed to a normalisation of activity with a pickup in traffic movement and air flights. At the same time, authorities implemented several measures to help the ailing property market. The People's Bank of China ("PBOC") announced a series of financing support measures widely referred as the "three arrows", which helped to put a floor to the Chinese property sector. The central bank's push to get banks to extend credit lines to that sector helped to lift sentiment.

Subsequently, global risk appetite retreated in March as the collapse of Credit Suisse and several regional US banks dampened confidence and drove investors to the safety of high-quality fixed income assets. The Swiss regulators, the Federal Reserve, US Treasury and the FDIC subsequently took decisive actions to strengthen public confidence in the banking system. More recently, market participants were also concerned about the US debt ceiling gridlock, which could have resulted in a US treasury default and damaged economic conditions. Nonetheless, an agreement was eventually reached, and Congress acted to suspend the debt limit which provided immediate relief to investors.

REBATES AND SOFT COMMISSIONS

During the period under review, the Manager and its delegates (if any) did not receive any soft commissions from stockbrokers.

SECURITIES LENDING OR REPURCHASE TRANSACTIONS

No securities lending or repurchase transaction have been carried out during the financial period under review.

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EASTSPRING INVESTMENTS TARGET INCOME FUND 10

FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

STATEMENT BY THE MANAGER

We, Tang Chee Kin and John Campbell Tupling, being two of the Directors of Eastspring Investments Berhad, do hereby state that, in the opinion of the Manager, the accompanying financial statements set out on pages 18 to 79 are drawn up in accordance with the provisions of the Deed and give a true and fair view of the financial position of the Fund as at 31 May 2023 and of its financial performance, changes in equity and cash flows for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

For and on behalf of the Manager,
EASTSPRING INVESTMENTS BERHAD

TANG CHEE KIN
Executive Director/Chief Executive Officer

JOHN CAMPBELL TUPLING
Independent, Non-Executive Director

Kuala Lumpur
Date: 26 July 2023

TRUSTEE'S REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 10 ("Fund")

We have acted as Trustee of the Fund for the financial year ended 31 May 2023 and we hereby confirm to the best of our knowledge, after having made all reasonable enquiries, Eastspring Investments Berhad has operated and managed the Fund during the year covered by these financial statements in accordance with the following:-

1. Limitations imposed on the investment powers of the management company under the deed, securities laws and the Guidelines on Unit Trust Funds;
2. Valuation and pricing is carried out in accordance with the deed; and
3. Any creation and cancellation of units are carried out in accordance with the deed and any regulatory requirement.

For Deutsche Trustees Malaysia Berhad

Ng Hon Leong
Head, Fund Operations

Jiva Munusamy
Head, Client Management

Kuala Lumpur
Date: 26 July 2023

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS OF EASTSPRING INVESTMENTS TARGET INCOME FUND 10

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Eastspring Investments Target Income Fund 10 ("the Fund") give a true and fair view of the financial position of the Fund as at 31 May 2023, and of its financial performance and its cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

What we have audited

We have audited the financial statements of the Fund, which comprise the statement of financial position as at 31 May 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 18 to 79.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Fund in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Information other than the financial statements and auditors' report thereon

The Manager of the Fund is responsible for the other information. The other information comprises the Manager's Report, but does not include the financial statements of the Fund and our auditors' report thereon.

Our opinion on the financial statements of the Fund does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Fund, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Fund or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Manager for the financial statements

The Manager of the Fund is responsible for the preparation of the financial statements of the Fund that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Manager is also responsible for such internal control as the Manager determines is necessary to enable the preparation of financial statements of the Fund that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Fund, the Manager is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Manager either intends to liquidate the Fund or to terminate the Fund, or has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Fund as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- a. Identify and assess the risks of material misstatement of the financial statements of the Fund, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Manager.
- d. Conclude on the appropriateness of the Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Fund or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

- e. Evaluate the overall presentation, structure and content of the financial statements of the Fund, including the disclosures, and whether the financial statements of the Fund represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

OTHER MATTERS

This report is made solely to the unit holders of the Fund and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Kuala Lumpur
Date: 26 July 2023

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	Note	2023	2022
		RM	RM
INVESTMENT LOSS			
Interest income from deposits with licensed financial institutions		143,042	76,509
Interest income from unquoted fixed income securities		4,533,091	6,003,750
Exit fee income		228,550	87,061
Net gain/(loss) on financial assets at fair value through profit or loss	7	1,215,558	(22,131,333)
Net loss on forward foreign currency contracts	10	(7,010,577)	(4,147,506)
Net foreign currency exchange gain		479,722	1,221,934
		<u>(410,614)</u>	<u>(18,889,585)</u>
EXPENSES			
Management fee	3	(467,689)	(538,774)
Trustee fee	4	(70,153)	(80,816)
Audit fee		(13,000)	(13,000)
Tax agent fee		(5,500)	(3,400)
Other expenses		(48,202)	(45,161)
		<u>(604,544)</u>	<u>(681,151)</u>
LOSS BEFORE TAXATION		(1,015,158)	(19,570,736)
TAXATION	5	<u>(1,540,239)</u>	<u>(50,995)</u>
LOSS AFTER TAXATION AND TOTAL COMPREHENSIVE LOSS		<u>(2,555,397)</u>	<u>(19,621,731)</u>
Loss after taxation is made up of the following:			
Realised amount		(4,809,020)	(5,915,051)
Unrealised amount		2,253,623	(13,706,680)
		<u>(2,555,397)</u>	<u>(19,621,731)</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 MAY 2023

	Note	2023	2022
		RM	RM
ASSETS			
Cash and cash equivalents	9	10,438,517	28,709,654
Financial assets at fair value through profit or loss	7	110,641,766	94,297,669
Forward foreign currency contracts at fair value through profit or loss	10	-	275,068
Other receivables		4,975	-
TOTAL ASSETS		<u>121,085,258</u>	<u>123,282,391</u>
LIABILITIES			
Forward foreign currency contracts at fair value through profit or loss	10	8,117,061	1,381,552
Accrued management fee		38,398	41,522
Amount due to Manager		165,843	-
Amount due to Trustee		5,760	6,228
Amount due to broker		928,020	-
Tax payable	5	114,277	37,770
Deferred tax liabilities	8	75,000	-
Other payables and accruals		30,488	31,167
TOTAL LIABILITIES		<u>9,474,847</u>	<u>1,498,239</u>
NET ASSET VALUE OF THE FUND		<u>111,610,411</u>	<u>121,784,152</u>
EQUITY			
Unit holders' capital		133,153,410	140,771,754
Accumulated losses		(21,542,999)	(18,987,602)
NET ASSET ATTRIBUTABLE TO UNIT HOLDERS		<u>111,610,411</u>	<u>121,784,152</u>
NUMBER OF UNITS IN CIRCULATION	11	<u>131,664,222</u>	<u>140,543,778</u>
NET ASSET VALUE PER UNIT (EX-DISTRIBUTION) (RM)		<u>0.8477</u>	<u>0.8665</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	Note	Unit holders' capital	Accumulated losses	Total
		RM	RM	RM
Balance as at 1 June 2022		140,771,754	(18,987,602)	121,784,152
Movement in unit holders' contribution:				
Cancellation of units		(7,618,344)	-	(7,618,344)
Total comprehensive loss for the financial year		-	(2,555,397)	(2,555,397)
Balance as at 31 May 2023		<u>133,153,410</u>	<u>(21,542,999)</u>	<u>111,610,411</u>
Balance as at 1 June 2021		143,671,445	5,020,423	148,691,868
Movement in unit holders' contribution:				
Cancellation of units		(2,899,691)	-	(2,899,691)
Distributions (Gross/Net: 3.06 sen)	6	-	(4,386,294)	(4,386,294)
Total comprehensive loss for the financial year		-	(19,621,731)	(19,621,731)
Balance as at 31 May 2022		<u>140,771,754</u>	<u>(18,987,602)</u>	<u>121,784,152</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

	Note	2023	2022
		RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Proceeds from sale of investments		69,833,736	114,546,920
Payments for purchase of investments		(83,741,278)	(106,819,503)
Net realised loss on forward foreign currency contracts		-	(119,250)
Interest income received from deposits with licensed financial institutions		143,042	76,509
Interest income received from unquoted fixed income securities		4,240,114	5,593,788
Exit fees income received		223,575	87,061
Management fee paid		(470,813)	(547,565)
Trustee fee paid		(70,621)	(82,135)
Payment for other fees and expenses		(67,381)	(69,634)
Tax paid		(1,388,732)	(8,455)
Net realised foreign exchange gain		479,722	1,225,934
Net cash (used in)/generated from operating activities		<u>(10,818,636)</u>	<u>13,883,670</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for cancellation of units		(7,452,501)	(2,899,691)
Distribution paid		-	(4,386,294)
Net cash used in financing activities		<u>(7,452,501)</u>	<u>(7,285,985)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS			
		(18,271,137)	6,597,685
EFFECTS OF FOREIGN EXCHANGE DIFFERENCES			
		-	(4,000)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL YEAR			
		<u>28,709,654</u>	<u>22,115,969</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL YEAR			
	9	<u>10,438,517</u>	<u>28,709,654</u>

The accompanying summary of significant accounting policies and notes to the financial statements form an integral part of these financial statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

The following accounting policies have been used in dealing with items which are considered material in relation to the financial statements.

A. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with the MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires the Manager to exercise their judgement in the process of applying the Fund's accounting policies. Although these estimates and judgement are based on the Manager's best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note L.

a. Standards and amendments to existing standards effective 1 January 2022:

There are no other standards, amendments to standards or interpretations that are effective for financial year beginning on 1 June 2022 that have a material effect on the financial statements of the Fund.

b. New standards, amendments and interpretations effective after 1 January 2022 and have not been early adopted:

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 June 2022 and have not been early adopted in preparing these financial statements. None of these are expected to have a material effect on the financial statements of the Fund.

B. INCOME RECOGNITION

Interest income from deposits placed with licensed financial institutions is recognised on an accrual basis using the effective interest rate method.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

Interest income from unquoted fixed income securities including amortisation of premium and accretion of discount are recognised using the effective interest method.

Gain or loss on disposal of unquoted fixed income securities is accounted for as the difference between the net disposal proceeds and the carrying amount of the investments, determined on cost adjusted for accretion of discount or amortisation of premium.

Exit fee income is a redemption fee charged to unit holders on cancellation of units before the maturity date and is recognised upon cancellation of units.

C. TAXATION

Tax expense for the year comprises current and deferred income tax.

Tax on investment income from foreign investments is based on the tax regime of the respective countries that the Fund invests in.

The income tax expense or credit for the year is the tax payable on the current year's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the Malaysian tax laws at the current rate based upon the taxable profit earned during the financial year.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

D. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Fund are measured using the currency as the primary economic environment in which the Fund operates (the “functional currency”). The financial statements are presented in Ringgit Malaysia (“RM”), which is the Fund’s functional and presentation currency.

E. FOREIGN CURRENCY TRANSLATION

Foreign currency transactions in the Fund are translated into the functional currency using the exchange rates prevailing at the transaction dates. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income, except when deferred in other comprehensive income as qualifying cash flow hedges.

F. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

i. Classification

The Fund classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value through profit or loss, and
- those measured at amortised cost

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The portfolio of financial assets is managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. The contractual cash flows of the Fund's debt securities are solely principal and interest, however, these securities are neither held for the purpose of collecting contractual cash flows nor held both for collecting contractual cash flows and for sale. The collection of contractual cash flows is only incidental to achieving the Fund's business model's objective. Consequently, all investments are measured at fair value through profit or loss.

The Fund classifies cash and cash equivalents and other receivables as financial assets at amortised cost as these financial assets are held to collect contractual cash flows consisting of the amount outstanding.

The Fund classifies accrued management fee, amount due to Manager, amount due to Trustee, amount due to broker and other payables and accruals as financial liabilities measured at amortised cost.

ii. Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the Fund commits to purchase or sell the asset. Investments are initially recognised at fair value.

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

Financial liabilities are recognised in the statement of financial position when, and only when, the Fund becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the obligation under the liabilities are extinguished; i.e when the obligation specified in the contract is discharged or cancelled or expired.

Gains or losses arising from changes in the fair value of the “financial assets at fair value through profit or loss” including the effects of currency translation are presented in the statement of comprehensive income within “net gain/(loss) on financial assets at fair value through profit or loss” in the financial year in which they arise.

Derivative investments are forward foreign currency contracts. Financial derivative position will be “marked to market” at the close of each valuation day.

Foreign exchange gains and losses on the derivative financial instrument are recognised in statement of comprehensive income when settled or at date of the statement of financial position at which time they are included in the measurement of the derivative financial instrument.

Deposits with licensed financial institutions are stated at cost plus accrued interest calculated on the effective interest rate method over the period from the date of placement to the date of maturity of the respective deposits.

Unquoted fixed income securities are carried at cost and adjusted for any amortisation of premium or accretion of discount from acquisition date to maturity date. The carrying cost is revalued to reflect its fair value on a daily basis based on fair value prices quoted by a bond pricing agency (“BPA”) registered with the Securities Commission as per the Securities Commission’s (“SC”) Guidelines on Unit Trust Funds. Unquoted fixed income securities denominated in foreign currencies are revalued on a daily basis by reference to the price obtained by Reuters. Where Reuters prices are not available on valuation day, these unquoted fixed income securities will be valued by reference to the average indicative yield quoted by three independent and reputable financial institutions.

Where such quotations are not available or where the Manager is of the view that the price quoted by the BPA or the Reuters price for a specific unquoted fixed income security differs from the market price by more than 20 basis points, the Manager may use the market price, provided that the Manager:

- (i) records its basis for using a non-BPA price or the Reuters price;
- (ii) obtains necessary internal approvals to use the non-BPA price or the Reuters price; and
- (iii) keeps an audit trail of all decisions and basis for adopting the market yield.

Financial assets and other financial liabilities are subsequently carried at amortised cost using the effective interest rate method.

iii. Impairment for assets carried at amortised costs

The Fund measures credit risk and expected credit losses using probability of default, exposure at default and loss given default. Management considers both historical analysis and forward looking information in determining any expected credit loss. Management considers the probability of default to be close to zero as these instruments have a low risk of default and the counterparties have a strong capacity to meet their contractual obligations in the near term. As a result, no loss allowance has been recognised based on 12 months expected credit losses as any such impairment would be wholly insignificant to the Fund.

iv. Significant increase in credit risk

A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

v. Definition of default and credit-impaired financial assets

Any contractual payment which is more than 90 days past due is considered credit impaired.

vi. Write-off

The Fund writes off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Fund may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains. There are no write-offs/recoveries during the financial year.

G. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, cash and cash equivalents comprise bank balances and deposits with licensed financial institutions that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

H. UNIT HOLDERS' CAPITAL

The unit holders' contributions to the Fund meet the criteria to be classified as equity instruments under MFRS 132 "Financial Instruments: Presentation". Those criteria include:

- the units entitle the holder to a proportionate share of the Fund's net asset value;
- the units are the most subordinated class and class features are identical;
- there are no contractual obligations to deliver cash or another financial asset other than the obligation on the Fund to repurchase; and
- the total expected cash flows from the units over its life are based substantially on the profit or loss of the Fund.

The outstanding units are carried at the redemption amount that is payable at each financial year if unit holder exercises the right to put the unit back to the Fund.

Units are created and cancelled at prices based on the Fund's net asset value per unit at the time of creation or cancellation. The Fund's net asset value per unit is calculated by dividing the net assets attributable to unit holders with the total number of outstanding units.

I. DERIVATIVE FINANCIAL INSTRUMENTS

A derivative financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

The Fund's derivative financial instruments comprise forward foreign currency contracts. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value.

The fair value of forward foreign exchange contracts is determined using forward exchange rates at the date of statements of financial position with the resulting value discounted back to present value.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets/liabilities at fair value through profit or loss and accounted for in accordance with the accounting policy set out in Note F to the financial statements.

J. AMOUNT DUE FROM/(TO) BROKERS

Amount due from and to brokers represent receivables for securities sold and payables for securities purchased that have been contracted for but not yet settled or delivered on the statement of financial position date respectively. The amount due from brokers balance is held for collection.

These amounts are recognised initially at fair value and subsequently measured at amortised cost. At each reporting date, the Fund shall measure the loss allowance on amount due from broker at an amount equal to the lifetime expected credit losses if the credit risk has increased significantly since initial recognition. If, at the reporting date, the credit risk has not increased significantly since initial recognition, the Fund shall measure the loss allowance at an amount equal to 12 months expected credit losses. Significant financial difficulties of the broker, probability that the broker will enter bankruptcy or financial reorganisation, and default in payments are all considered indicators that a loss allowance may be required.

If the credit risk increases to the point that it is considered to be credit impaired, interest income will be calculated based on the gross carrying amount adjusted for the loss allowance. A significant increase in credit risk is defined by management as any contractual payment which is more than 30 days past due.

Any contractual payment which is more than 90 days past due is considered credit impaired.

K. DISTRIBUTION

A distribution to the Fund's unit holders is accounted for a deduction from realised reserves. A proposed distribution is recognised as a liability in the financial year in which it is approved by the Trustee.

L. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

The Fund makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information contents on the estimates, certain key variables that are anticipated to have material impacts to the Fund's results and financial position are tested for sensitivity to changes in the underlying parameters.

Estimates and judgements are continually evaluated by the Manager and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In undertaking any of the Fund's investment, the Manager will ensure that all assets of the Fund under management will be valued appropriately, that is at fair value and in compliance with the SC's Guidelines on Unit Trust Funds.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 MAY 2023

1. INFORMATION ON THE FUND

Eastspring Investments Target Income Fund 10 (the “Fund”) was constituted pursuant to the execution of a Deed dated 17 March 2020 entered into between Eastspring Investments Berhad (the “Manager”) and Deutsche Trustees Malaysia Berhad (the “Trustee”).

The Fund was launched on 4 May 2020 and will continue its operations until terminated as provided under Part 12 of the Deed.

The Fund seeks to achieve its objective by investing in local and/or foreign debt securities. The Fund will invest a minimum of 70% of its net asset value in local and/or foreign debt securities. Not more than 40% of the Fund’s net asset value may be invested either in non-rated debt securities and/or debt securities rated below investment grade rating by RAM, MARC or other rating agencies (i.e. lower than BBB3 rating by RAM or below investment grade rating by other rating agencies) while the remainder will be invested in investment grade bonds. Additionally, up to 30% of the Fund’s net asset value may be invested in liquid assets.

The main objective of the Fund is to provide regular income during the tenure of the Fund.

All investments will be subject to the Securities Commission’s (“SC”) Guidelines on Unit Trust Funds, the Deed and the Fund’s objective.

The Manager is a company incorporated in Malaysia and is related to Prudential Plc., a public listed company in the United Kingdom. The principal activity of the Manager is the establishment and management of unit trust funds and asset management.

2. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund is exposed to market risk (inclusive of price risk, interest rate risk and foreign exchange/currency risk), country risk, fund management risk, liquidity risk, non-compliance risk, capital risk and credit/default risk.

Financial risk management is carried out through internal control processes adopted by the Manager and adherence to the investment restrictions as stipulated in the Deed.

Financial instruments of the Fund are as follows:

	Note	Financial assets at amortised cost	Financial assets at fair value through profit or loss	Financial liabilities at fair value through profit or loss	Total
		RM	RM	RM	RM
2023					
Cash and cash equivalents	9	10,438,517	-	-	10,438,517
Unquoted fixed income securities	7	-	110,641,766	-	110,641,766
Forward foreign currency contracts at fair value through profit or loss	10	-	-	(8,117,061)	(8,117,061)
Other receivables		4,975	-	-	4,975
		<u>10,443,492</u>	<u>110,641,766</u>	<u>(8,117,061)</u>	<u>112,968,197</u>
2022					
Cash and cash equivalents	9	28,709,654	-	-	28,709,654
Unquoted fixed income securities	7	-	94,297,669	-	94,297,669
Forward foreign currency contracts at fair value through profit or loss	10	-	275,068	(1,381,552)	(1,106,484)
		<u>28,709,654</u>	<u>94,572,737</u>	<u>(1,381,552)</u>	<u>121,900,839</u>

All liabilities except forward foreign currency contracts are financial liabilities which are carried at amortised cost.

Market risk

i. Price risk

Price risk is the risk that fair value of the investment in unquoted fixed income securities will fluctuate because of changes in market prices (other than those arising from interest rate risk). The value of investments may fluctuate according to the activities of individual companies, sector and overall political and economic conditions. Such fluctuation may cause the Fund's net asset value and prices of units to fall as well as rise, and income produced by the Fund may also fluctuate.

The price risk is managed through diversification and asset allocation whereby the unquoted fixed income securities exposure will be reduced in the event of anticipated market weakness.

The table below shows assets of the Fund as at 31 May which are exposed to price risk:

	2023	2022
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities*	110,641,766	94,297,669

* Includes interest receivable of RM1,204,250 (2022: RM1,032,417).

The following table summarises the sensitivity of the Fund's loss after tax and net asset value to movements in prices of unquoted fixed income securities at the end of each reporting financial year. The analysis is based on the assumptions that the market price of the unquoted fixed income securities increased by 5% and decreased by 5% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the unquoted fixed income securities, having regard to the historical volatility of the prices.

% Change in price	2023		2022	
	Market value	Impact on loss after tax and net asset value	Market value	Impact on loss after tax and net asset value
	RM	RM	RM	RM
+5% (2022: +5%)	114,909,392	5,471,876	97,928,515	4,663,263
-5% (2022: -5%)	(103,965,640)	(5,471,876)	88,601,989	(4,663,263)

ii. Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

In general, when interest rates rise, unquoted fixed income securities prices will tend to fall and vice versa. Therefore, the net asset value of the Fund may also tend to fall when interest rates rise or are expected to rise. However, investors should be aware that should the Fund holds an unquoted fixed income securities till maturity, such price fluctuations would dissipate as it approaches maturity, and thus the growth of the net asset value shall not be affected at maturity. In order to mitigate interest rates exposure of the Fund, the Manager will manage the duration of the portfolio via shorter or longer tenured assets depending on the view of the future interest rate trend of the Manager, which is based on its continuous fundamental research and analysis.

Investors should note that the movement in prices of unquoted fixed income securities and money market instruments are benchmarked against interest rates. As such, the investments are exposed to the movement of the interest rates.

This risk is crucial since unquoted fixed income securities portfolio management depends on forecasting interest rate movements. Prices of unquoted fixed income securities move inversely to interest rate movements, therefore as interest rates rise, the prices of unquoted fixed income securities decrease and vice versa. Furthermore, unquoted fixed income securities with longer maturity and lower yield coupon rates are more susceptible to interest rate movements.

Such investments may be subject to unanticipated rise in interest rates which may impair the ability of the issuers to make payments of interest income and principal, especially if the issuers are highly leveraged. An increase in interest rates may therefore increase the potential for default by an issuer.

The Fund's investments in deposits with licensed financial institutions are short term in nature. Therefore, exposure to interest rate fluctuations is minimal.

The table below summarises the sensitivity of the Fund's loss after tax and net asset value to movements in pricing of unquoted fixed income securities held by the Fund at the end of each reporting financial year as a result of movement in interest rate. The analysis is based on the assumptions that the interest rate changed by 1% with all other variables held constant. This represents management's best estimate of a reasonable possible shift in the interest rate, having regard to the historical volatility of the interest rate.

	2023	2022
% Change in interest rate of unquoted fixed income securities	Impact on loss after tax and net asset value	Impact on loss after tax and net asset value
	RM	RM
+1% (2022: +1%)	(143,106)	(150,087)
-1% (2022: -1%)	144,244	151,451

iii. Foreign exchange/Currency risk

As the Fund may invest its assets in unquoted fixed income securities denominated in a wide range of currencies other than Ringgit Malaysia ("RM"), the net asset value of the Fund expressed in RM may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between RM and such other currencies. The risk is minimised through investing in a wide range of foreign currencies denominated assets and thus, diversifying the risk of single currency exposure.

In the normal course of investment, the Manager will usually not hedge foreign currency exposure. The Manager may however, depending on prevailing market circumstances at particular point in time, choose to use forward or swap contracts for hedging and risk reduction purposes.

The following table sets out the foreign exchange/currency risk concentrations and counterparties of the Fund.

	Unquoted fixed income securities	Forward foreign currency contracts	Cash and cash equivalents	Amount due to broker	Total
	RM	RM	RM	RM	
<u>2023</u>					
EUR	-	-	18	-	18
SGD	781,006	(60,767)	42,873	-	763,112
USD	104,848,319	(8,056,294)	8,269,916	(928,020)	104,133,921
	<u>105,629,325</u>	<u>(8,117,061)</u>	<u>8,312,807</u>	<u>(928,020)</u>	<u>104,897,051</u>

	Unquoted fixed income securities	Forward foreign currency contracts	Cash and cash equivalents	Total
	RM	RM	RM	RM
<u>2022</u>				
SGD	761,984	(15,351)	17,062	763,695
USD	73,383,049	(1,091,133)	18,417,436	90,709,352
	<u>74,145,033</u>	<u>(1,106,484)</u>	<u>18,434,498</u>	<u>91,473,047</u>

The table below summarises the sensitivity of the Fund's loss after tax and net asset value to changes in foreign exchange movements at the end of each reporting financial year. The analysis is based on the assumption that the foreign exchange rate changes by 5% with all variables remain constant. This represents management's best estimate of a reasonable possible shift in the foreign exchange rate, having regard to historical volatility of this rate.

Disclosures below are shown in absolute terms, changes and impacts could be positive or negative.

	Change in foreign exchange rate	Impact on loss after tax	Impact on net asset value
	%	RM	RM
<u>2023</u>			
EUR	8.19	1	1
SGD	4.45	33,958	33,958
USD	5.73	5,966,874	5,966,874
		<u>5,966,874</u>	<u>5,966,874</u>
<u>2022</u>			
SGD	5	38,185	38,185
USD	5	4,535,468	4,535,468
		<u>4,535,468</u>	<u>4,535,468</u>

Country risk

A unit trust fund that invests in foreign countries may experience more rapid and extreme changes in value than a unit trust fund that invests exclusively in Malaysia. Nationalisation, expropriation or confiscatory, taxation, currency blockage, political changes or diplomatic developments could adversely affect a unit trust fund's investments in a foreign country. In the event of nationalisation, expropriation or other confiscation, a unit trust fund could lose its entire investment in foreign countries. Adverse conditions in a certain region can adversely affect securities of other countries whose economies appear to be unrelated. Careful consideration shall be given to risk factors such as liquidity, political and economic environment before any investments are made in a foreign country.

Fund management risk

There is the risk that the Manager may not adhere to the investment mandate of the respective Funds. With close monitoring by the investment committee, back office system being incorporated with limits and controls, and regular reporting to the senior management team, the management company is able to manage such risk. The Trustee has an oversight function over management of the Fund by the management company to safeguard the interests of unit holders.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its financial obligations. Generally, all investments are subject to a certain degree of liquidity risk depending on the nature of the investment instruments, market, sector and other factors. For the purpose of the Fund, the Manager will attempt to balance the entire portfolio by investing in a mix of assets with satisfactory trading volume and those that occasionally could encounter poor liquidity. This is expected to reduce the risks for the entire portfolio without limiting the Fund's growth potentials.

The Fund maintains sufficient level of liquid assets, after consultation with the Trustee, to meet anticipated payments and cancellations of units by unit holders. Liquid assets comprise bank balances, deposits with licensed financial institutions and other instruments which are capable of being converted into cash within 7 days.

The table below summarises the Fund's financial liabilities into relevant maturity groupings based on the remaining period as at the statement of financial position date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Less than 1 month	Between 1 month to 1 year	More than 1 year	Total
	RM	RM	RM	RM
2023				
Forward foreign currency contracts at fair value through profit or loss	1,757,088	6,359,973	-	8,117,061
Accrued management fee	38,398	-	-	38,398
Amount due to Manager	165,843	-	-	165,843
Amount due to Trustee	5,760	-	-	5,760
Amount due to broker	928,020	-	-	928,020
Other payables and accruals	-	30,488	-	30,488
Contractual undiscounted cash outflows	<u>2,895,109</u>	<u>6,390,461</u>	-	<u>9,285,570</u>
2022				
Forward foreign currency contracts at fair value through profit or loss	-	-	1,381,552	1,381,552
Accrued management fee	41,522	-	-	41,522
Amount due to Trustee	6,228	-	-	6,228
Other payables and accruals	-	31,167	-	31,167
Contractual undiscounted cash outflows	<u>47,750</u>	<u>31,167</u>	<u>1,381,552</u>	<u>1,460,469</u>

Non-compliance risk

Non-compliance risk arises when the Manager and others associated with the Fund are not compliant to the rules set out in the Fund's constitution or the laws that govern the Fund or applicable internal control procedures, or acts of fraudulence or dishonesty.

Non-compliance may expose the Fund to higher risks which may result in a fall in the value of the Fund which in turn may affect its investment goals. However, the risk can be mitigated by the internal controls and compliance monitoring undertaken by the Manager.

Capital risk

The capital of the Fund is represented by equity consisting of unit holders' capital of RM133,153,410 (2022: RM140,771,754) and accumulated losses of RM21,542,999 (2022: RM18,987,602). The amount of equity can change significantly on a daily basis as the Fund is subject to daily subscriptions and redemptions at the discretion of unit holders. The Fund's objective when managing capital is to safeguard the Fund's ability to continue as a going concern in order to provide returns for unit holders and benefits for other stakeholders and to maintain a strong capital base to support the development of the investment activities of the Fund.

Credit/Default risk

Credit risk refers to the ability of an issuer or a counter party to make timely payments of interest, principals and proceeds from realisation of investments. In the case of the Fund, both the Manager and the External Fund Manager regularly review the ratings assigned to the Issuer so that the necessary steps can be taken if the ratings fall below those prescribed by the Deed.

The credit risk arising from placements of deposits with licensed financial institutions is managed by ensuring that the Fund will only place deposits in reputable licensed financial institutions.

The Fund seeks to mitigate credit/default risk by investing in high quality unquoted fixed income securities and entering into forward foreign currency contracts with reputable counterparties.

The following table sets out the credit risk concentrations and counterparties of the Fund.

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other receivables	Total
	RM	RM	RM	RM
<u>2023</u>				
Financial Services				
- AAA	1,000,263	-	-	1,000,263
- AA1	9,438,254	-	-	9,438,254
Unquoted Fixed Income Securities				
Consumer Discretionary				
- A+	-	848,135	-	848,135
- AA	-	920,406	-	920,406
- Baa1	-	4,177,306	-	4,177,306
- BB-	-	1,757,457	-	1,757,457
- BBB+	-	841,460	-	841,460
Energy				
- B2	-	1,805,000	-	1,805,000
- Ba1	-	1,115,665	-	1,115,665
- Ba3	-	1,127,046	-	1,127,046
- Baa3	-	3,718,008	-	3,718,008
- BBB-	-	1,855,869	-	1,855,869

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other receivables	Total
	RM	RM	RM	RM
2023				
Unquoted Fixed Income Securities (continued)				
Financials				
- A-	-	1,847,325	-	1,847,325
- A+	-	3,689,995	-	3,689,995
- A2	-	2,569,289	-	2,569,289
- A3	-	917,526	-	917,526
- AA+	-	5,584,160	-	5,584,160
- Aa3	-	6,514,299	-	6,514,299
- AAA (S)	-	5,012,441	-	5,012,441
- B+	-	1,829,526	-	1,829,526
- B1	-	1,053,927	-	1,053,927
- B3	-	318,451	-	318,451
- Ba1	-	1,753,324	-	1,753,324
- Baa2	-	1,838,744	-	1,838,744
- Baa3	-	8,623,774	-	8,623,774
- BBB	-	2,617,346	-	2,617,346
- BBB-	-	7,255,779	-	7,255,779
- BBB+	-	3,674,553	-	3,674,553
- Caa1	-	636,709	-	636,709
- Caa3u	-	82,361	-	82,361
- NR	-	144,127	-	144,127
Government				
- AA	-	1,788,565	-	1,788,565
- Aa2	-	919,419	-	919,419
- Baa3	-	1,837,346	-	1,837,346
- BB+	-	1,813,333	-	1,813,333
- BBB-	-	5,575,895	-	5,575,895
- BBB+	-	929,264	-	929,264
- NR	-	934,968	-	934,968

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Other receivables	Total
	RM	RM	RM	RM
<u>2023</u>				
Unquoted Fixed Income Securities (continued)				
Industrials				
- Baa2	-	900,111	-	900,111
- Baa3	-	899,714	-	899,714
- BBB	-	926,457	-	926,457
- BBB-	-	5,219,997	-	5,219,997
- NR	-	781,006	-	781,006
Materials				
- Baa1	-	925,696	-	925,696
- Baa2	-	908,402	-	908,402
- Baa3	-	935,423	-	935,423
- BBB-	-	932,471	-	932,471
- BBB+	-	1,368,831	-	1,368,831
- NR	-	906,593	-	906,593
Utilities				
- A+	-	847,761	-	847,761
- A2	-	1,807,117	-	1,807,117
- Ba2	-	878,456	-	878,456
- Baa2	-	3,569,160	-	3,569,160
- BBB+	-	905,773	-	905,773
Other				
- NR	-	-	4,975	4,975
	10,438,517	110,641,766	4,975	121,085,258

	Cash and cash equivalents	Financial assets at fair value through profit or loss	Total
	RM	RM	RM
2022			
Financial Services			
- AA1	20,708,712	-	20,708,712
- AA2	8,000,942	-	8,000,942
Unquoted Fixed Income Securities			
- AA	-	1,767,720	1,767,720
- A+	-	3,409,828	3,409,828
- A-2	-	4,225,107	4,225,107
- A-3	-	890,930	890,930
- A-	-	3,433,361	3,433,361
- Baa1	-	1,808,041	1,808,041
- BBB+	-	3,859,197	3,859,197
- Baa2	-	6,547,686	6,547,686
- BBB	-	3,513,976	3,513,976
- Baa3	-	11,409,681	11,409,681
- BBB-	-	6,375,015	6,375,015
- Ba1	-	3,696,494	3,696,494
- BB+	-	211,743	211,743
- BB	-	1,125,152	1,125,152
- Ba3	-	2,537,757	2,537,757
- BB-	-	2,468,723	2,468,723
- B1	-	890,829	890,829
- B+	-	4,212,982	4,212,982
- B2	-	2,480,351	2,480,351
- B-	-	406,531	406,531
- Caa1	-	553,025	553,025
- C	-	503,868	503,868
- NR	-	27,969,672	27,969,672
Forward foreign currency contracts			
- AAA	-	275,068	275,068
	<u>28,709,654</u>	<u>94,572,737</u>	<u>123,282,391</u>

None of these financial assets are past due or impaired.

Fair value estimation

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

The fair value of financial assets traded in active market (such as traded derivatives and trading securities) are based on quoted market prices at the close of trading on the financial year end date. The Fund utilises the last traded market price for financial assets where the last traded price falls within the bid-ask spread. In circumstances where the last traded price is not within the bid-ask spread, the Manager will determine the point within the bid-ask spread that is representative of the fair value.

An active market is a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The fair value of financial assets that are not traded in an active market is determined by using valuation techniques. The Fund uses a variety of methods and makes assumptions that are based on market conditions existing at each financial year end date. Valuation techniques used for non-standardised financial instruments such as options, currency swaps and other over-the-counter derivatives, include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants making the maximum use of market inputs and relying as little as possible on entity-specific inputs.

i. Fair value hierarchy

The following table analyses financial instruments carried at fair value by valuation method.

The different levels have been defined as follows:

- Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).
- Level 3: Inputs for the asset and liability that are not based on observable market data (that is, unobservable inputs).

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement.

Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset or liability.

The determination of what constitutes “observable” requires significant judgement by the Fund. The Fund considers observable data to be market data that is readily available, regularly distributed or updated, reliable and verifiable, not proprietary, and provided by independent sources that are actively involved in the relevant market.

The following table analyses within the fair value hierarchy of the Fund's financial assets and financial liabilities (by class) measured at fair value:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>2023</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	110,641,766	-	110,641,766
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	(8,117,061)	-	(8,117,061)
<u>2022</u>				
Financial assets at fair value through profit or loss:				
Unquoted fixed income securities	-	94,297,669	-	94,297,669
Forward foreign currency contracts	-	275,068	-	275,068
Financial liabilities at fair value through profit or loss:				
Forward foreign currency contracts	-	(1,381,552)	-	(1,381,552)

Financial instruments that trade in markets that are considered to be active but are valued based on quoted market prices, dealer quotations or alternative pricing sources supported by observable inputs are classified within Level 2, these include unquoted fixed income securities and forward foreign currency contracts. As Level 2 instruments include positions that are not traded in active markets and/or are subject to transfer restrictions, valuations may be adjusted to reflect illiquidity and/or non-transferability, which are generally based on available market information. The Fund's policies on valuation of these financial assets are stated in Note F to the financial statements.

- ii. The carrying value of cash and cash equivalents, other receivables and all liabilities, except for forward foreign currency contracts are a reasonable approximation of their fair values due to their short term nature.

3. MANAGEMENT FEE

In accordance with the Deed, the Manager is entitled to a management fee at a rate not exceeding 0.40% per annum of the net asset value of the Fund accrued and calculated on a daily basis.

For the financial year ended 31 May 2023, the management fee is recognised at a rate of 0.40% (2022: 0.40%) per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

There will be no further liability to the Manager in respect of the management fee other than the amounts recognised above.

4. TRUSTEE FEE

In accordance with the Deed, the Trustee is entitled to an annual fee at a rate not exceeding 0.06% per annum of the net asset value of the Fund, subject to a minimum fee of RM15,000 per annum (excluding foreign custodian fees and charges).

For the financial year ended 31 May 2023, the Trustee fee is recognised at a rate of 0.06% (2022: 0.06%) per annum on the net asset value of the Fund, excluding foreign custodian charges, calculated on daily basis.

There will be no further liability to the Trustee in respect of the trustee fee other than the amounts recognised above.

5. TAXATION

	2023	2022
	RM	RM
Tax charged for the financial year:		
Current taxation	1,423,487	50,995
Under provision of taxation in prior year	41,752	-
Deferred tax (Note 8)	75,000	-
Taxation	<u>1,540,239</u>	<u>50,995</u>

The numerical reconciliation between loss before taxation multiplied by the Malaysian statutory tax rate and tax expense of the Fund is as follows:

	2023	2022
	RM	RM
Loss before taxation	<u>(1,015,158)</u>	<u>(19,570,736)</u>
Tax at Malaysian statutory rate of 24% (2022: 24%)	(243,638)	(4,696,977)
Tax effects of:		
Investment loss not deductible for tax purposes	1,580,698	4,533,501
Expenses not deductible for tax purposes	29,725	31,050
Restriction on tax deductible expenses for Unit Trust Funds	115,365	132,426
Foreign income subject to different tax rate	16,337	50,995
Under provision of taxation in prior year	41,752	-
Taxation	<u>1,540,239</u>	<u>50,995</u>

6. DISTRIBUTION

	2022
	RM
Distribution to unit holders are from the following sources:	
Interest income	5,782,684
Net realised loss on sale of investments	<u>(729,297)</u>
Gross realised income	5,053,387
Less: Expenses	<u>(667,093)</u>
	<u>4,386,294</u>
Gross distribution per unit (sen)	<u>3.06</u>
Net distribution per unit (sen)	<u>3.06</u>
Ex-Date	<u>9 July 2021 & 10 December 2021</u>

Gross distribution is derived using total income less total expenses. The distribution is made from current and no distribution from prior financial years' realised income.

Gross distribution per unit is derived from gross realised income less expenses divided by the number of units in circulation, while net distribution per unit is derived from gross realised income less expenses and taxation divided by the number of units in circulation.

During the financial year ended 31 May 2022, the Fund incurred unrealised losses of RM13,706,680.

7. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023	2022
	RM	RM
Financial assets at fair value through profit or loss:		
Unquoted fixed income securities	110,641,766	94,297,669
Net gain/(loss) on financial assets at fair value through profit or loss:		
Realised loss on disposals	(8,048,642)	(12,456,909)
Change in unrealised fair value gain/(loss)	9,264,200	(9,674,424)
	<u>1,215,558</u>	<u>(22,131,333)</u>

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value	Percentage of net asset
			as at 31.5.2023	value of the Fund
	RM	RM	RM	%

2.70% Mercedes-Benz Services Malaysia Sdn Bhd 28.9.2023 (AAA (S))	5,000,000	5,024,041	5,012,441	4.49
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Name of counter	Nominal value	Aggregate cost	Fair value	Percentage of net asset
			as at 31.5.2023	value of the Fund
	SGD	RM	RM	%

2.90% Keppel Corporation Limited 31.12.2099 (NR)	250,000	2,491,323	781,006	0.70
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Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.45% ABJA Investment Co. Pte. Ltd. 24.7.2023 (BBB-)	200,000	879,359	932,471	0.84
5.00% Bangkok Bank Public Co Ltd (Hong Kong Branch) 3.10.2023 (BBB+)	200,000	928,020	928,200	0.83
3.875% Bluestar Finance Holdings Limited 31.12.2099 (Baa3)	200,000	869,929	935,423	0.84
3.875% Canara Bank 28.3.2024 (Baa3)	400,000	1,702,406	1,814,406	1.63
3.425% CCCI Treasury Limited 21.11.2024 (Baa2)	200,000	852,687	900,111	0.81
3.85% Central Plaza Development Ltd. 14.7.2025 (BBB-)	1,000,000	4,341,715	3,850,247	3.45
2.85% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A2)	200,000	824,163	919,377	0.82
3.08% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A2)	200,000	825,177	887,740	0.80
4.10% Chinalco Capital Holdings Limited 11.9.2024 (BBB+)	300,000	1,298,787	1,368,831	1.23

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.00% Chouzhou International Investment Limited 18.2.2025 (Baa3)	200,000	854,748	899,714	0.81
3.97% CRCC Chengan Limited 31.12.2099 (Baa1)	200,000	860,705	918,663	0.82
4.30% Dianjian Haiyu Limited 31.12.2099 (BBB)	200,000	873,772	926,457	0.83
6.07% Export-Import Bank of India 6.3.2024 (BBB-)	800,000	3,640,891	3,748,937	3.36
3.875% Export-Import Bank of India 12.3.2024 (Baa3)	400,000	1,841,426	1,837,346	1.65
4.90% Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd. 30.3.2025 (BBB+)	200,000	845,565	841,460	0.75
4.974% GLP China Holdings Limited 26.2.2024 (BBB-)	600,000	2,622,265	2,485,833	2.23
3.875% GLP Pte. Ltd. 4.6.2025 (BBB-)	200,000	784,274	635,719	0.57
5.50% Greenko Wind Projects (Mauritius) Ltd 6.4.2025 (Ba2)	200,000	852,346	878,456	0.79
1.507% Guangzhou Metro Investment Finance (BVI) Limited 17.9.2025 (A+)	200,000	832,858	848,135	0.76
1.50% Hero Asia Investment Limited 18.11.2023 (BBB+)	200,000	825,344	905,773	0.81
1.70% Horse Gallop Finance Limited 28.7.2025 (A2)	600,000	2,560,908	2,569,289	2.30

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.75% Huarong Finance 2019 Co., Ltd. 29.5.2024 (Ba1)	400,000	1,771,488	1,753,324	1.57
5.375% India Green Energy Holdings 29.4.2024 (Ba3)	250,000	1,040,760	1,127,046	1.01
4.75% Indian Oil Corporation Limited 16.1.2024 (Baa3)	400,000	1,797,442	1,867,273	1.67
3.73% Indian Railway Finance Corporation Limited 29.3.2024 (BBB-)	400,000	1,776,912	1,826,958	1.64
1.875% Joy Treasure Assets Holdings Inc. 17.11.2025 (BBB)	200,000	825,171	826,769	0.74
5.09% Kookmin Bank 18.10.2023 (Aa3)	200,000	941,740	922,463	0.83
5.10% Kookmin Bank 18.10.2023 (Aa3)	200,000	958,098	945,825	0.85
5.40% Kookmin Bank 22.1.2024 (Aa3)	400,000	1,769,858	1,866,383	1.67
5.40% Kookmin Bank 28.5.2024 (A+)	200,000	918,492	920,109	0.82
5.355% Korea Development Bank 25.11.2023 (Aa2)	200,000	915,823	919,419	0.82
5.3425% Korea Development Bank 17.1.2024 (NR)	200,000	891,941	934,968	0.84
3.625% Korea Expressway Corporation 18.5.2025 (AA)	400,000	1,755,089	1,788,565	1.60
4.75% Korean Air Lines Co., Ltd 23.9.2025 (AA)	200,000	917,406	920,406	0.82
7.25% LMIRT Capital Pte. Ltd. 19.6.2024 (Caa1)	200,000	845,315	636,709	0.57

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.875% Melco Resorts Finance Limited 6.6.2025 (BB-)	400,000	1,689,444	1,757,457	1.57
4.75% Minmetals Bounteous Finance (BVI) Limited 30.7.2025 (Baa1)	200,000	892,128	925,696	0.83
3.10% Minor International Public Company Limited 31.12.2099 (Baa1)	700,000	3,079,602	3,258,643	2.92
3.625% MISC Capital Two (Labuan) Limited 6.4.2025 (BBB)	400,000	1,706,420	1,790,577	1.60
5.42% Nonghyup Bank 27.11.2023 (A+)	400,000	1,900,245	1,846,951	1.65
5.36% Nonghyup Bank 20.4.2024 (A+)	200,000	885,369	922,935	0.83
5.375% Oil India Limited 17.4.2024 (Baa3)	400,000	1,764,522	1,850,735	1.66
4.625% ONGC Videsh Limited 15.7.2024 (BBB-)	400,000	1,775,965	1,855,869	1.66
3.25% Power Finance Corporation Limited 16.9.2024 (Baa3)	400,000	1,707,363	1,797,725	1.61
7.125% Powerlong Real Estate Holdings Limited 15.1.2024 (NR)*	189,816	832,480	97,997	0.09
6.25% Powerlong Real Estate Holdings Limited 10.8.2024 (Caa3u)*	200,000	877,351	82,361	0.07

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.25% PT Adaro Indonesia 31.10.2024 (Ba1)	250,000	1,064,754	1,115,665	1.00
4.625% PT Bank Rakyat Indonesia (Persero) TBK 20.7.2023 (Baa2)	200,000	896,096	935,452	0.84
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (Baa2)	200,000	878,986	908,402	0.81
5.125% PT Perusahaan Gas Negara TBK 16.5.2024 (Baa2)	774,000	3,492,247	3,569,160	3.20
4.45% PT Saka Energi Indonesia 5.5.2024 (B2)	400,000	1,659,271	1,805,000	1.62
4.25% PT Tower Bersama Infrastructure TBK 21.1.2025 (BBB-)	600,000	2,661,015	2,734,164	2.45
5.25% REC Limited 13.11.2023 (Baa3)	500,000	2,241,603	2,306,477	2.07
3.375% REC Limited 25.7.2024 (Baa3)	400,000	1,706,238	1,816,438	1.63
4.20% Republic of the Philippines 21.1.2024 (BBB+)	200,000	890,631	929,264	0.83
3.766% RHB Bank Berhad 19.2.2024 (A3)	200,000	888,742	917,526	0.82
3.00% Rizal Commercial Banking Corporation 11.9.2024 (Baa3)	200,000	848,869	888,728	0.80
5.90% RKPF Overseas 2019 (A) Limited 5.3.2025 (B1)	200,000	873,547	564,257	0.51

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
6.00% RKPF Overseas 2019 (A) Limited 4.9.2025 (B1)	200,000	859,826	489,670	0.44
4.80% Shandong Iron and Steel Xinheng International Company Limited 28.7.2024 (NR)	200,000	860,131	906,593	0.81
5.00% Shinhan Bank 14.10.2023 (Aa3)	400,000	1,871,360	1,854,408	1.66
5.58% Shinhan Bank 24.5.2024 (Aa3)	200,000	907,200	925,220	0.83
6.00% Sino-Ocean Land Treasure Finance I Limited 30.7.2024 (B3)	200,000	545,719	318,451	0.29
4.80% Socialist Republic of Vietnam 19.11.2024 (BB+)	400,000	1,830,283	1,813,333	1.62
4.500% State Bank of India 28.9.2023 (BBB-)	400,000	1,765,615	1,846,630	1.65
4.375% State Bank of India 24.1.2024 (BBB-)	200,000	887,933	923,183	0.83
1.00% State Grid Overseas Investment (BVI) Limited 5.8.2025 (A+)	200,000	844,656	847,761	0.76
4.90% The Hong Kong Mortgage Corporation Limited 21.2.2024 (AA+)	1,000,000	4,408,688	4,649,787	4.17
5.40% The Hong Kong Mortgage Corporation Limited 26.2.2024 (AA+)	200,000	898,025	934,373	0.84

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2023	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.625% Vigorous Champion International Limited 28.5.2024 (Baa2)	200,000	826,510	903,292	0.81
4.75% Woori Bank 30.4.2024 (BBB+)	600,000	2,553,288	2,746,353	2.46
4.30% Xi Yang Overseas Limited 5.6.2024 (A-)	400,000	1,768,628	1,847,326	1.66
6.8% Yanlord Land (HK) Co., Ltd. 27.2.2024 (B+)	400,000	1,731,157	1,829,525	1.64
8.35% Zhenro Properties Group Limited 10.3.2024 (NR)**	200,000	806,731	46,130	0.04
	<u>29,413,816</u>	<u>113,136,882</u>	<u>110,641,766</u>	<u>99.15</u>

**ACCUMULATED
UNREALISED LOSS ON
FINANCIAL ASSETS AT
FAIR VALUE THROUGH
PROFIT OR LOSS**

(2,495,116)

**TOTAL FAIR VALUE OF
FINANCIAL ASSETS AT
FAIR VALUE THROUGH
PROFIT OR LOSS**

110,641,766

- * Powerlong Real Estate Holdings Limited (the “Company”) launched an exchange offer on 4 July 2022 for two of its senior notes maturing in July and November 2022 to extend the maturity into new 4.000% July 2023 and 7.125% January 2023 senior notes. The Company launched a concurrent consent solicitation for the other outstanding senior notes to waive off any cross default, that includes the 3.250% 16.9.2024 and 7.125% 15.2.2024 that is held by the Fund, which was completed on 16 July 2022. Despite the exchange offer, the Company’s liquidity remained stretched and had been servicing its interest payment during the grace period. The Company further announced on 25 July 2022 that there were US\$21.2million and US\$37.2million of not-tendered bonds left outstanding and not paid. The Manager is currently awaiting for more details on the proposed debt restructuring and will monitor the situation closely.

- ** Zhenro Properties Group Limited (the “Company”) announced on 10 April 2022 that they are unable to pay US\$20.42million in interest payment due on 10 March 2022. Events of default have thus occurred across the outstanding senior notes including 8.35% 10.3.2024 that is held by the Fund. The Company cited the Shanghai COVID lockdown situation, unfavourable housing and financing environment as the reasons for the tight liquidity. The Company has announced the appointment of Ernst & Young (China) Advisory Limited on 30 August 2022 for a holistic debt restructuring review. On 6 March 2023, the Company indicated a preliminary proposal will be circulated for consideration by the end of March 2023. However, as of today, the Company’s liquidity remains tight, various tasks related to the offshore Holistic Liability management Solutions and communication with offshore creditors are still on-going.

Unquoted fixed income securities

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	RM	RM	RM	%
3.151% Malaysia Government 15.5.2023 (NR)	10,000,000	10,110,720	10,067,556	8.27
3.478% Malaysia Government 14.6.2024 (NR)	5,000,000	5,226,296	5,099,639	4.19
2.70% Mercedes-Benz Services Malaysia Sdn Bhd 28.9.2023 (NR)	5,000,000	5,024,041	4,985,441	4.09

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	SGD	RM	RM	%
2.90% Keppel Corporation Limited 31.12.2099 (NR)	250,000	2,513,249	761,984	0.63

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
5.75% Agile Group Holdings Limited 2.1.2025 (NR)	400,000	1,732,584	728,856	0.60
2.829% Alibaba Group Holding Limited 6.6.2023 (A+)	400,000	1,696,627	1,771,141	1.45
3.875% Bluestar Finance Holdings Limited 31.12.2099 (Baa3)	200,000	869,137	893,695	0.73
3.875% Canara Bank 28.3.2024 (Ba1)	400,000	1,718,633	1,759,801	1.45
3.425% CCCI Treasure Limited 21.11.2024 (Baa2)	200,000	852,806	867,341	0.71
7.25% Central China Real Estate Limited 16.7.2024 (Caa1)	200,000	810,676	268,912	0.22
7.25% Central China Real Estate Limited 13.8.2024 (B+)	200,000	863,231	264,152	0.22
3.85% Central Plaza Development Ltd 14.7.2025 (BBB-)	1,000,000	4,333,507	3,937,774	3.23
2.85% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A-2)	200,000	823,520	875,196	0.72
3.08% China Huaneng Group (Hong Kong) Treasury Management Holding Limited 31.12.2099 (A-2)	200,000	824,482	856,549	0.70
4.10% Chinalco Capital Holdings Limited 11.9.2024 (BBB+)	300,000	1,304,326	1,326,705	1.09

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.00% Chouzhou International Investment Limited 18.2.2025 (Baa3)	200,000	848,218	878,853	0.72
6.45% CIFI Holdings (Group) Co., Ltd 7.11.2022 (BB-)	200,000	862,491	693,142	0.57
8.00% Country Garden Holdings Company Limited 27.1.2024 (BBB-)	200,000	948,964	669,000	0.55
3.97% CRCC Chengan Limited 27.6.2024 (Baa1)	200,000	866,158	894,644	0.73
4.30% Dianjian Haiyu Limited 20.6.2024 (BBB)	200,000	880,044	899,894	0.74
4.00% Franshion Brilliant Limited 3.1.2023 (Baa3)	400,000	1,732,986	1,744,575	1.43
4.25% Future Diamond Limited 22.9.2022 (NR)	200,000	837,696	781,860	0.64
4.90% Gansu Provincial Highway Aviation Tourism Investment Group Co., Ltd 30.3.2025 (BBB+)	200,000	843,328	867,349	0.71
4.974% GLP China Holdings Limited 26.2.2024 (BBB-)	200,000	874,146	888,160	0.73
5.50% Greenko Wind Projects (Mauritius) Ltd 6.4.2025 (Ba1)	200,000	848,288	863,059	0.71
3.50% Guangxi Communications Investment Group Co., Ltd 17.9.2022 (Baa2)	400,000	1,690,466	1,741,511	1.43

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
1.507% Guangzhou Metro Investment Finance (BVI) Limited 17.9.2025 (A+)	200,000	832,712	817,919	0.67
1.50% Hero Asia Investment Limited 18.11.2023 (BBB+)	200,000	824,215	851,853	0.70
1.766% Horse Gallop Finance Limited 28.7.2025 (A-2)	600,000	2,558,633	2,493,362	2.05
5.375% India Green Energy Holdings 29.4.2024 (Ba3)	250,000	1,040,478	1,068,018	0.88
6.125% Indika Energy Capital III Pte Ltd 9.11.2024 (Ba3)	200,000	690,361	862,129	0.71
1.875% Joy Treasure Assets Holdings Inc. 17.11.2025 (BBB+)	200,000	824,722	813,290	0.67
11.25% Kaisa Group Holdings Ltd 16.4.2025 (C)	200,000	631,209	142,253	0.12
3.625% Korea Expressway 18.5.2025 (AA)	400,000	1,753,073	1,767,720	1.45
7.25% LMIRT Capital Pte Ltd 19.6.2022 (B1)	200,000	907,893	890,829	0.73
5.75% Logan Group Company Limited 14.1.2023 (BB+)	200,000	858,860	211,743	0.17
3.25% MCC Holding (Hong Kong) Corporation Limited 12.3.2023 (Baa2)	200,000	855,075	881,643	0.72
4.75% Minmetals Bounteous Finance (BVI) Limited 30.7.2025 (Baa1)	200,000	908,865	913,397	0.75

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
3.10% Minor International Public Company Limited 31.12.2099 (Baa2)	300,000	1,299,087	1,310,748	1.08
3.625% MISC Capital Two (Labuan) Limited 6.4.2025 (BBB)	400,000	1,703,047	1,734,343	1.42
4.80% New Metro Global Limited 15.12.2024 (BB)	200,000	935,509	550,087	0.45
3.25% Power Finance Corporation Limited 16.9.2024 (Baa3)	400,000	1,720,640	1,734,204	1.42
7.125% Powerlong Real Estate Holdings Limited 8.11.2022 (Caa1)	200,000	873,121	284,113	0.23
6.25% Powerlong Real Estate Holdings Limited 10.8.2024 (B-)	200,000	868,107	218,212	0.18
5.95% Powerlong Real Estate Holdings Limited 30.4.2025 (B-)	200,000	840,728	188,319	0.15
4.50% PT Adaro Indonesia 31.10.2022 (Ba1)	250,000	1,048,687	1,073,634	0.88
4.75% PT Indonesia Asahan Aluminium (Persero) 15.5.2025 (Baa2)	200,000	898,115	878,342	0.72
4.75% PT Pelabuhan Indonesia II (Persero) 2.5.2023 (Baa3)	400,000	1,701,019	1,770,278	1.45
4.45% PT Saka Energi Indonesia 5.5.2024 (B2)	600,000	2,444,808	2,480,351	2.04

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
4.25% PT Tower Bersama Infrastructure TBK 21.1.2025 (BBB-)	200,000	874,641	880,081	0.72
3.375% REC Limited 25.7.2024 (Baa3)	400,000	1,710,568	1,747,303	1.43
6.45% Renew Power Private Limited 27.6.2022 (BB-)	400,000	1,736,546	1,775,581	1.46
3.766% RHB Bank Berhad 19.2.2024 (A-3)	200,000	892,323	890,930	0.73
3.054% Rizal Commercial Banking Corporation 11.9.2024 (Baa3)	200,000	851,997	866,319	0.71
7.875% RKPF Overseas 2019 (A) Limited 1.2.2023 (B+)	200,000	888,572	784,577	0.64
5.90% RKPF Overseas 2019 (A) Limited 5.3.2025 (Ba3)	200,000	863,922	607,610	0.50
6.00% RKPF Overseas 2019 (A) Limited 4.9.2025 (B+)	200,000	854,475	607,965	0.50
6.75% Ronshine China Holdings Limited 5.8.2024 (NR)	200,000	875,901	151,444	0.12
11.50% Scenery Journey Limited 24.10.2022 (C)	200,000	592,546	87,540	0.07
6.00% Seazen Group Limited 12.8.2024 (BB)	200,000	853,103	575,065	0.47
4.80% Shandong Iron and Steel Xinheng International Company Limited 28.7.2024 (NR)	200,000	859,357	878,814	0.72

Unquoted fixed income securities (continued)

Name of counter	Nominal value	Aggregate cost	Fair value as at 31.5.2022	Percentage of net asset value of the Fund
	USD	RM	RM	%
6.125% Shimao Group Holdings Limited 21.2.2024 (NR)	200,000	914,412	137,450	0.11
4.25% SSG Resources Limited 4.10.2022 (A-)	570,000	2,452,843	2,517,043	2.07
1.138% State Grid Overseas Investment (BVI) Limited 5.8.2025 (A+)	200,000	843,382	820,768	0.67
6.850% Sunac China Holdings Limited 3.8.2024 (C)	200,000	863,116	167,899	0.14
3.70% Taiyuan Longcheng Development Investment Group Co., Ltd 26.6.2023 (Baa3)	400,000	1,733,891	1,774,454	1.46
0.00% United States of America 7.6.2022 (NR)	1,000,000	4,391,540	4,376,628	3.59
4.15% Vanke Real Estate (Hong Kong) Company Limited 18.4.2023 (BBB)	200,000	874,739	879,739	0.73
3.625% Vigorous Champion International Limited 28.5.2024 (Baa2)	200,000	840,832	868,101	0.72
4.30% Xi Yang Overseas Limited 5.6.2024 (A-)	200,000	870,134	916,318	0.76
6.75% Yanlord Land (HK) Co., Ltd 23.4.2023 (B+)	200,000	856,532	855,375	0.71
6.80% Yanlord Land (HK) Co., Ltd 27.2.2024 (B+)	400,000	1,732,872	1,700,913	1.41

Unquoted fixed income securities (continued)

Name of counter	Nominal value USD	Aggregate cost RM	Fair value as at 31.5.2022 RM	Percentage of net asset value of the Fund %
8.35% Zhenro Properties Group Limited 10.3.2024 (C)*	200,000	873,157	106,176	0.10
	<u>39,720,000</u>	106,056,985	<u>94,297,669</u>	77.44
ACCUMULATED UNREALISED LOSS ON FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>(11,759,316)</u>	
TOTAL FAIR VALUE OF FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS			<u>94,297,669</u>	

- * Zhenro Properties Group Limited (the "Company") indicated on 10 April 2022 that they are unable to pay the interest payments in the amount of US\$8,350,000 under the May 2020 Notes due on 9 April 2022 and 31 May 2022. The Company's operations have been halted due to the COVID lockdown situation in Shanghai, resulting in the progress of sales and asset disposal to be delayed. The non-payment of interest constituted an event of default which resulted in multiple notches downgrade by rating agencies. The Company has taken various measures to address its liquidity issues, which include obtaining extensions on its capital markets financings from offshore lender(s) and holders of five tranches of onshore asset-backed securities, maintaining the stability of construction and operation for its projects, seeking disposal of assets, and accelerating sales and cash collection. However, owing to such unforeseen scale of and much longer than expected lockdown in Shanghai in addition to the unfavourable housing market conditions and financial environment, the Company's contracted sales and tight liquidity have not been fundamentally improved. The Company is making its best efforts with an aim to meet all its debt obligations and the Company believes that this goal can be achieved if more time is given to it to arrange payment in light of the current pandemic situation.

The effective weighted average rate of return of unquoted fixed income securities per annum as at the date of the statement of financial position is as follows:

	2023	2022
	%	%
Unquoted fixed income securities	4.06	4.84

8. DEFERRED TAX

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority.

	2023	2022
	RM	RM
Deferred tax liabilities	75,000	-

The movements in the deferred tax assets/ (liabilities) balances are as follows:

	Foreign interest receivables on financial assets at fair value through profit or loss	
	2023	2022
	RM	RM
Balance at the beginning of the financial year	-	-
Transfer to income statement (Note 5)	75,000	-
	75,000	-

9. CASH AND CASH EQUIVALENTS

	2023	2022
	RM	RM
Bank balances with a licensed bank	9,438,254	20,708,712
Deposits with licensed financial institution	1,000,263	8,000,942
	<u>10,438,517</u>	<u>28,709,654</u>

The currency exposure profile of cash and cash equivalents are as follows:

	2023	2022
	RM	RM
- EUR	18	-
- MYR	2,125,710	10,275,156
- SGD	42,873	17,062
- USD	8,269,916	18,417,436
	<u>10,438,517</u>	<u>28,709,654</u>

The effective weighted average interest rate of short term deposits with licensed financial institution per annum as at the date of the financial position are as follows:

	2023	2022
	%	%
Deposits with licensed financial institution	<u>3.20</u>	<u>2.15</u>

The deposits have an average maturity of 6 days (2022: 7 days).

10. FORWARD FOREIGN CURRENCY CONTRACTS

As at the date of statement of financial position, there are 24 (2022: 21) forward foreign currency contracts outstanding. The notional principal amount of the outstanding forward foreign currency contracts amounted to RM143,288,708 (2022: RM131,474,897). The forward foreign currency contracts entered into during the financial year were for hedging against the currency exposure arising from the investment in the foreign unquoted fixed income securities denominated in SGD and USD. As the Fund has not adopted hedge accounting during the financial year, the change in the fair value of the forward foreign currency contracts is recognised immediately in the statement of comprehensive income.

	2023	2022
	RM	RM
Financial assets at fair value through profit or loss:		
Forward foreign currency contracts	-	275,068
Financial liabilities at fair value through profit or loss:		
Forward foreign currency contracts	8,117,061	1,381,552

	2023	2022
	RM	RM
Net loss on forward foreign currency contracts at fair value through profit or loss:		
Realised loss on forward foreign currency contracts	-	(119,250)
Unrealised loss on forward foreign currency contracts	(7,010,577)	(4,028,256)
	<u>(7,010,577)</u>	<u>(4,147,506)</u>

Forward foreign currency contracts

Name of issuer	Receivables	Payables	Fair value	Percentage
			as at	of net
	RM	RM	31.5.2023	asset value
			RM	of the
				Fund
				%
CIMB Bank Berhad	69,240,575	73,354,874	(4,114,299)	(3.69)
Hong Leong Bank Berhad	57,566,508	60,469,897	(2,903,389)	(2.60)
HSBC Bank Malaysia Berhad	16,481,625	17,580,998	(1,099,373)	(0.98)
	<u>143,288,708</u>	<u>151,405,769</u>	<u>(8,117,061)</u>	<u>(7.27)</u>

Name of issuer	Receivables	Payables	Fair value	Percentage
			as at	of net
	RM	RM	31.5.2022	asset value
			RM	of the
				Fund
				%
CIMB Bank Berhad	64,051,519	64,839,574	(788,055)	(0.65)
Hong Leong Bank Berhad	57,559,990	57,566,508	(6,518)	(0.00)
HSBC Bank Malaysia Berhad	9,863,388	10,175,299	(311,911)	(0.26)
	<u>131,474,897</u>	<u>132,581,381</u>	<u>(1,106,484)</u>	<u>(0.91)</u>

11. UNITS IN CIRCULATION

	2023	2022
	No. of units	No. of units
At the beginning of the financial year	140,543,778	143,686,078
Cancellation of units during the financial year	<u>(8,879,556)</u>	<u>(3,142,300)</u>
At the end of the financial year	<u>131,664,222</u>	<u>140,543,778</u>

12. TRANSACTIONS WITH DEALERS

Details of transactions with the top 10 dealers are as follows:

Name of dealers	Value	Percentage	Brokerage fees	Percentage
	of trades	of total trades		of total brokerage fees
	RM	%	RM	%
<u>2023</u>				
BNP Paribas Securities Services	15,992,100	13.68	-	-
HSBC Bank (Singapore) Limited	14,983,631	12.82	-	-
Wells Fargo Securities LLC	10,247,601	8.77	-	-
BOFA Securities, Inc.	9,251,070	7.92	-	-
J.P. Morgan Securities Plc	8,287,515	7.09	-	-
Merrill Lynch International (London)	7,003,636	5.99	-	-
Barclays Capital Inc	5,123,560	4.38	-	-
Malayan Banking Berhad	5,004,100	4.28	-	-
Mizuho Securities Asia Ltd	4,466,547	3.82	-	-
CMB International Global Markets Limited	4,379,745	3.75	-	-
Others	32,124,083	27.50	-	-
	<u>116,863,588</u>	<u>100.00</u>	-	-

Name of dealers	Value	Percentage	Brokerage fees	Percentage
	of trades	of total trades		of total brokerage fees
	RM	%	RM	%
<u>2022</u>				
Citigroup Global Markets Limited	43,713,226	32.32	-	-
Wells Fargo Securities LLC	19,677,360	14.55	-	-
Deutsche Bank Group	11,229,031	8.30	-	-
UBS AG London	5,984,736	4.43	-	-
BNP Paribas Group	5,543,655	4.10	-	-
Hong Leong Bank Singapore	5,086,500	3.76	-	-
CIMB Bank Berhad - Singapore	5,009,100	3.70	-	-
HSBC Bank (Singapore) Limited	4,075,709	3.01	-	-
J.P. Morgan Securities PLC	4,067,879	3.01	-	-
Goldman Sachs International London	3,950,045	2.92	-	-
Others	26,895,262	19.90	-	-
	<u>135,232,503</u>	<u>100.00</u>	-	-

All dealers highlighted above are not related to the Manager.

13. UNITS HELD BY THE MANAGER AND PARTIES RELATED TO THE MANAGER

The related parties and their relationship with the Fund are as follows:

Related parties	Relationship
Director of Eastspring Investments Berhad	Director of the Manager
Eastspring Investments Berhad	The Manager
Eastspring Investments Group Private Limited	Immediate holding company of the Manager
Prudential Plc	Ultimate holding company of the Manager

Units held by Manager:

	No. of units	2023		2022	
		RM	No. of units	RM	RM
Eastspring Investments Berhad	1,000	848	1,000	867	

The above units were transacted at the prevailing market price.

The units are held legally and beneficially by the Manager and are within the prescribed limit allowed by SC's Guidelines on Unit Trust Funds. Other than the above, there were no units held by the Directors or parties related to the Manager.

In addition to the related parties disclosure mentioned in the financial statements, there were no other significant related parties transactions and balances.

14. TOTAL EXPENSE RATIO ("TER")

	2023	2022
	%	%
TER	0.52	0.51

TER is derived from the following calculation:

$$\text{TER} = \frac{(A + B + C + D + E)}{F} \times 100$$

A = Management fee

B = Trustee fee

C = Audit fee

D = Tax agent fee

E = Other expenses (excluding sales and service tax on transaction cost and withholding tax)

F = Average net asset value of the Fund calculated on a daily basis

The average net asset value of the Fund for the financial year calculated on a daily basis is RM116,948,127 (2022: RM134,717,604).

15. PORTFOLIO TURNOVER RATIO ("PTR")

	2023	2022
PTR (times)	0.50	0.50

PTR is derived from the following calculation:

$$\frac{(\text{Total acquisitions for the financial year} + \text{total disposals for the financial year}) \div 2}{\text{Average net asset value of the Fund for the financial year calculated on a daily basis}}$$

where:

total acquisitions for the financial year = RM84,669,298 (2022: RM105,170,703)

total disposals for the financial year = RM33,250,026 (2022: RM30,733,086)

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue by the Manager on 26 July 2023.

CORPORATE DIRECTORY

THE MANAGER

NAME

EASTSPRING INVESTMENTS BERHAD

COMPANY NO.

200001028634 (531241-U)

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TRUSTEE

NAME

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COMPANY NO.

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SALE & PURCHASE OF UNITS

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